



Office of Health Plan Administration

P.O. Box 720724

Sacramento, CA 94229-0724

Telecommunications Device for the Deaf, TTY 1 (800) 795-2929; (916) 795-3240

(916) 795-2515; FAX (916) 795-4105

Toll Free: **888 CalPERS** or **888-225-7377**

November 14, 2006

AGENDA ITEM 4

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** HMO Conversion:
San Luis Obispo County
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. BACKGROUND AND ANALYSIS:**

In May 2006, Blue Shield of California made a recommendation to CalPERS staff and Health Benefits Committee for a separate pricing and benefit design in San Luis Obispo County because the cost of healthcare in the county is 12.5 percent higher than the average CalPERS HMO county. CalPERS San Luis Obispo County membership is 29,925 total covered lives*, with 13,457 in the Blue Shield HMO, 11,801 in PERS Choice, and the remaining 4,667 distributed among other CalPERS or Association Plan offerings.

Since January 1, 2003, Blue Shield has been administering an HMO benefit in San Luis Obispo by contracting directly with physicians. This contracting model is not an ideal HMO model as it often results in higher utilization than in a delegated, capitated model.

To develop more responsiveness, predictability and improved care coordination under a capitated model for San Luis Obispo County, Blue Shield has entered into contract negotiations with San Luis Obispo Select Individual Practice Association (IPA). Rate negotiations are complete, and discussions are underway to complete required contract terms, delegation and finance audits. Blue Shield anticipates the capitated model will be in place in January 2007.

The IPA is working diligently to comply with Blue Shield's network requirements, and has currently achieved an 84 percent cross-over with primary care providers

* Based on October 2006 enrollment data.

(PCPs) and specialty physicians in comparison to the existing direct contract network. To minimize member/physician disruption, the IPA is continuing its recruitment efforts for specialty physicians.

Acknowledging the majority of physicians will continue to be available under the IPA, the network change will be seamless for most CalPERS members. For those members whose doctors are not in the IPA network, Blue Shield of California will provide information and assistance with selection and/or assignment to a new primary care physician within the network.

V. STRATEGIC GOAL:

This item supports Strategic Goal X to provide CalPERS members and employers affordable and adequate products that address adequacy, affordability, and allow members to make choices among different products that address their economic and personal health care situation. This item also supports Strategic Goal XII by addressing the issues of cost, quality, and improved access by directly focusing attention on healthcare providers.

VI. RESULTS/COSTS:

There will not be an associated administrative cost to CalPERS. Blue Shield will be responsible for communicating changes to the impacted membership.

Richard J. Krolak, Chief
Office of Health Plan Administration

Terri Westbrook
Assistant Executive Officer
Health Benefits Branch